SENATE FINANCE & CLAIMS

Exhibit No. 2

Date 4-6-11

Bill No. HB 495

The Local Government Funding and Structure Committee

SIMPLIFICATION *In the* 21ST CENTURY

Findings and Recommendations November 2000

"The collection and distribution system for these taxes and fees will be simple, efficient, accurate, and timely."

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The Local Government Funding
and Structure Committee

SIMPLIFICATION

In the

21ST

CENTURY

Committee Authorized by the 1999 Legislature

DATE: October 6, 2000

TO: Governor Racicot
Representative John Mercer, Speaker of the House
Representative Emily Swanson, Minority Leader
Senator Bruce Crippen, President of the Senate
Senator Steve Doherty, Minority Leader

FROM: Representative Bob Story, Chairman
Harold Blattie, Vice Chairman

SUBJECT: Final Local Government Funding and Structure Committee Report

We forward the following report from the Local Government Funding and Structure Committee established by Senate Bill 184 of the 1999 Legislature. The need for the committee was based on the prospect of an annual $55 million property tax increase for local government and school budgets, which could occur if the SB184 reimbursements were allowed to sunset June 30, 2001, and the changes required to move all Montana governments toward the following SB184 vision.

> *We are dedicated to a partnership among state, county, city and school districts that is based on mutual trust and respect for local authority. This partnership will enable all governments to respond to the demands of their citizens in the 21st century through a revenue system that is simple, understandable, equitable, stable and adequate and through a revenue collections and distribution system that is simple, efficient, accurate and timely.*

All governments and citizens deserve a revenue system that produces adequate and relatively constant revenue, treats individuals and businesses fairly, is easy for taxpayers to understand, minimizes administrative costs and has all economic activity and wealth contributing proportionally to support government service. A high quality revenue system is composed of taxes that complement one another and the finances of both state and local governments. One especially important issue is the relationship of state and local taxing jurisdictions. State policy makers should consider how state tax decisions affect local governments, and local governments should consider how their budget decisions affect the taxpayer and the state revenue system. A high quality revenue system reflects the limitations and financial responsibilities state government places upon local government. State policy makers should be explicitly aware of the costs state mandates impose on local governments. Local government should have the authority to raise sufficient revenue to meet its obligations.

In working towards the vision and the concerns expressed, the committee established three primary goals.

1. Simplify billing, collection, accounting, distribution and reporting of all revenue

2. De-earmark revenue and eliminate expenditure mandates for local government

3. Create a rational, dependable, stable funding structure for cities and counties

Because the current Montana financial relationship among state, local and school finances is so complex and administratively cumbersome, the committee proposals require significant change from state agencies, counties, cities and schools. However, other than simplifying, de-earmarking, and removing limitations on local government, there is no intent to change the funding level or programs offered by any government entity. Due to de-earmarking, government entities may have more open revenue and budget reviews by the legislature and city and county commissioners.

A significant impact of the committee proposals is the trust that both state and local government officials must establish between themselves. The legislature will have less control over local government, and local government will have the right to receive an Entitlement Share of the general fund without specific revenue or expenditure requirements. Building this trust level will be a challenge. To expedite the trust building, local government audit provisions have been strengthened and local government financial laws have been revised to allow significantly more local financial flexibility and authority. The county and city treasurers become even more important to the local government officials. Their acceptance of the responsibility to account for all funds and establish accounting systems is very important to the trust building among all the state and local government entities. As the state gives more autonomy to local government, the county clerk and recorders, in their function as budgeting and accounting personnel, will make a major contribution in strengthening and demonstrating the local government accountability requirements.

The charge given to the committee was broad and comprehensive. We have done our best to address the most significant changes to begin building a real partnership and respectful working relationship among all government entities.

We would like to thank the many individuals who assisted the committee. The county treasurers, county clerk and recorders, county commissioners, city treasurers and city managers were extremely helpful. The Montana League of Cities and Towns and Montana Association of Counties attended every meeting and provided valuable insight. State agencies attended the meetings and assisted with committee requests. Four agencies provided the core of the research and analysis, the Office of Budget and Program Planning, the Legislative Fiscal Division, the Office of Public Instruction and the Department of Revenue. Many more individuals, too numerous to list, assisted the committee. The committee members could not have completed the work without everyone's help.

We would like to thank you for the opportunity to serve our state in this capacity. It has been a comprehensive task, which has enhanced our knowledge of Montana government operations and brought a great appreciation of the dedication that Montana public officials and staff have to public service.

We request your serious consideration of the proposals and your assistance in advancing these recommendations in the Montana Legislature.

Local Government Funding and Structure Committee

Public Hearing
November 15, 2000

SB 184 Vision

We are dedicated
to a partnership among
state, county, city and school districts
that is based on
mutual trust and respect
for local authority.

Primary Committee Goals

- Simplify billing, collection, accounting, distribution and reporting of revenue
- De-earmark revenue and eliminate expenditure mandates for local government
- Create a rational, dependable, stable funding structure for cities and counties

Establishing Mutual Trust

- Provide significantly more local government financial flexibility and authority
- Exert less legislative control over local government
- Offer an Entitlement Share of the state general fund without specific revenue or expenditure requirements

Major Recommendation Areas

- Revenue and Expenditure Changes
- Entitlement Share
- Property Tax Limit
- TIFs, Countywide School Funds
- Schools K-12
- Budget and Accounting
- De-earmarking and Mandate Guidelines
- Local Option Sales Tax
- Local Option Realty Transfer Tax
- State and Local Gov. Relationship Committee

Revenue Changes

- **State Government Revenue Increases**

Motor vehicle fees, taxes	$79.3 million
Gambling revenue	27.8 million
Financial institutions	8.4 million
Alcohol related taxes	4.0 million
District court fees, fines	1.9 million
PILT - DNRC - FWP	0.9 million
All other	1.7 million
Eliminate prop. tax reimbursement	76.0 million
Total Revenue Change	**$200.0 million**

Expenditure Changes

♦ State Pays for Welfare	$14 million
♦ State Pays for District Court Funding	$20.8 million
Total Change	$34.8 million

Net Financial Change

Revenue Change	= $200.0 million
Expenditure Change	= 34.8 million
Net Change	= $165.1 million

Net Impact by Local Government Entity

($ million)

Entity	FY02	FY03
Counties	$36.3	$37.5
Cities	45.4	46.8
TIFs	4.8	4.8
Schools K-12	65.0	65.0
County Retirement	10.4	7.8
County Transport.	2.3	2.2

Local Government Entitlement Share

Purpose: To replace county and city revenue with a stable, growing revenue source

- **State general fund statutory appropriation**
- **Sets a Growth Rate Index**
  - 70% of the 5-year rolling average of the state gross domestic product and personal income
  - FY02 = 3.2%, FY03 = 3.1%

Entitlement Share Allocation

- **Short-term allocation**
  - Base allocation, which increases for inflation
  - Remaining funds allocated by population
- **Long-term allocation study**
  - Tax capacity, tax burden and mill levy disparities
  - Other relevant factors

Property Tax Limit

- **An overall property tax limit**
  - Provides at least 2% revenue growth for FY02
  - Long-term growth factor: average of 1/2 of last 3 years' inflation rates
  - Eliminates "levy it or lose it" for property taxes
  - Better defines "newly taxable property"
- **Elimination of other statutory mill levy caps**
  - Except for 2 mill emergency levy
  - May need to clarify statutes in special cases

TIFs, Countywide School Funds

- **TIFs**
  - Replacement payment based on FY01 level
- **County Retirement**
  - Payment based on FY01 level, reduced for HB20 and SB417 phase-outs
  - Property tax reimbursement reduction = $2,645,275 for FY02 and $5,290,550 for FY03
- **County Transportation**
  - Replacement payment based on FY01 level

Schools K-12

- **Block Grant**
  - Office of Public Instruction (OPI) distributes
  - Based on prior-year revenue to be replaced, with HB 540 flat vehicle fee annualized
  - Paid in November and May
  - Permanent allocation determined by a study of school funding — 2003 biennium
  - Block Grant will sunset June 30, 2003

Uniform Laws for

Budget and Accounting

- **A single set of laws for local governments**
  - Amends or repeals more than 80 existing county/city laws
- **Simplifies accounting requirements**
- **Expands local financial flexibility**
- **Establishes county and city financial oversight and authority for mill levies, fees**
- **Expands, strengthens Dept. of Commerce's reporting and audit responsibilities**

Budget and Accounting

(continued)

- **All-inclusive definition of "local governments"**
- **Establishes new reporting requirements for special purpose districts -- effective date delayed one year to implement**
- **Eliminates detailed accounting provisions**

Budget and Accounting
(continued)

- "...does not provide for the consolidation or reassignment of any duties of elected county officials."
- County or municipal treasurers to have custody of all public money, including special authorities and districts
- Creates budget flexibility for selected fund types and fee-based budgets

Budget and Accounting
(continued)

- Allows for judgement levies to be outside the property tax limit
- All mill levies subject to an elected county or municipal board, including library and airport
- An extended deadline for setting tax levies if certified taxable values are received late

De-earmarking and Mandate Guidelines

- **Establishes guidelines for earmarking revenue to local government**
- **Provides for continuous review of earmarked revenue**
- **Clarifies the process of establishing and funding state mandates for local governments**

Local Option Sales Tax

- **Authorizes local option limited sales tax**
  - By vote of the electorate
  - Specify use of tax in election process
  - Tax rate up to 4%
  - Tax on tourist items
  - Provides for sharing among urban and rural counties
  - May not be levied on the same transaction by more than one local government

Local Option Realty Transfer Tax

- **Authorizes local option realty transfer tax**
  - By vote of the electorate
  - Specify use as dedicated to improving infrastructure
  - Tax rate up to 1%
  - 80% for the local community and 20% for a state-operated program
  - May not be levied on the same person or transaction by more than one local government
  - Some exemptions

State and Local Government Relationship Committee

- **A temporary committee (4 years) composed of legislators and local officials**
- **Will operate similar to the Environmental Quality Council for state and local government issues**
- **Will work to resolve issues by bringing together knowledgeable people who understand citizen concerns, state interests and local government**

Committee Purpose

- Promote and strengthen local governments
- Consider common problems
- Provide a forum for state oversight of local functions, realistic local autonomy and intergovernmental cooperation
- Identify, promote desirable allocation of state and local functions, responsibilities and revenue
- Promote concise, consistent and uniform laws and regulations for local government

REVENUE TRANSFERS

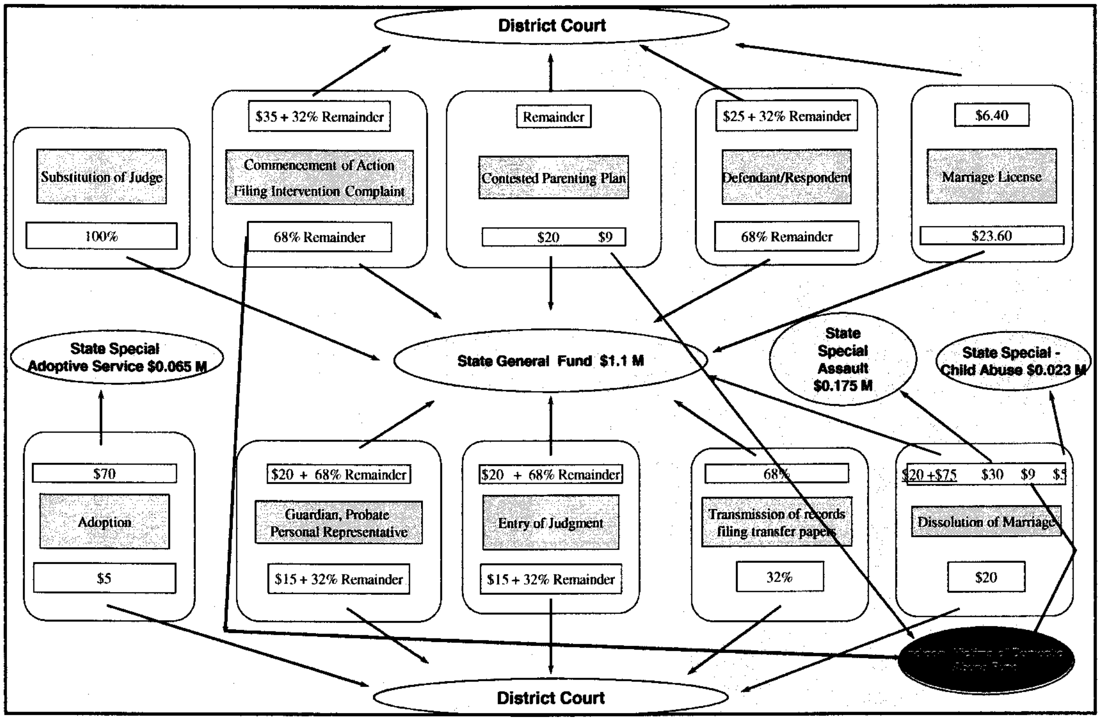
- Simplify billing, collection, accounting, distribution and reporting of revenue*

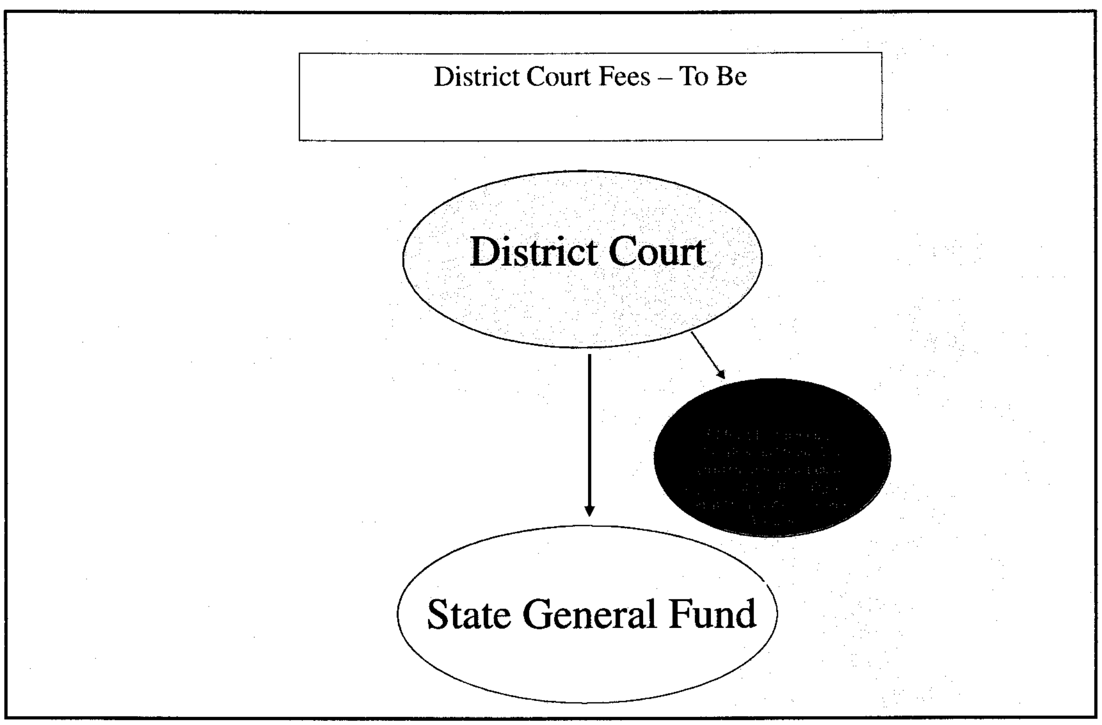
  * From Primary Committee Goals

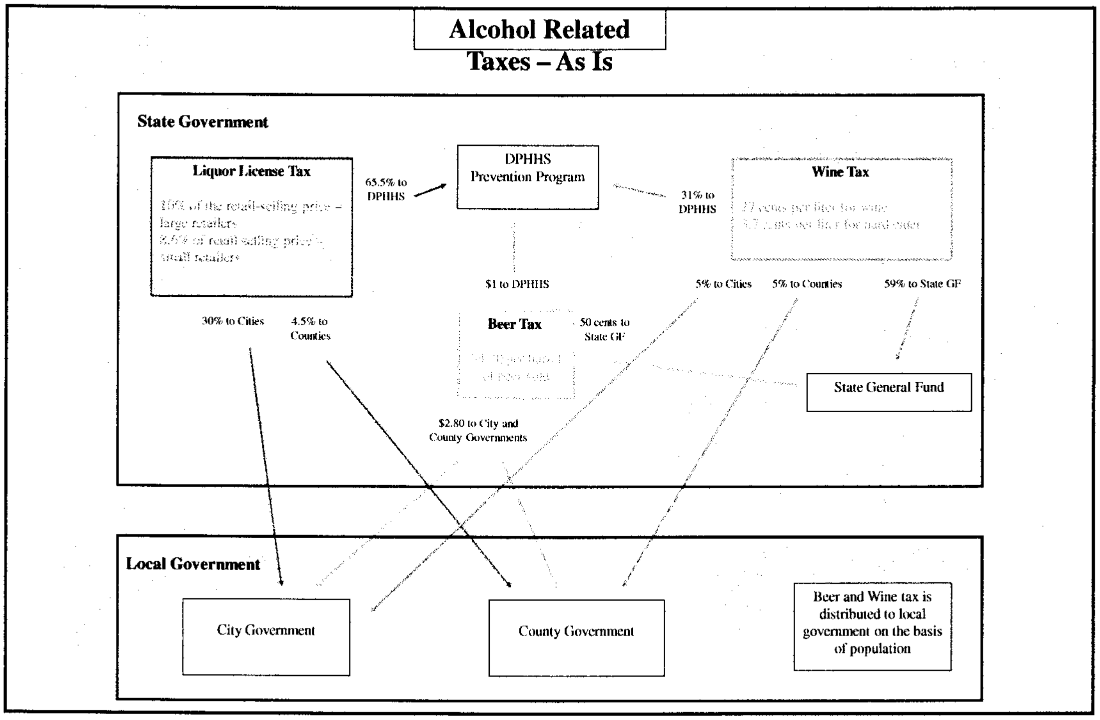
BEFORE

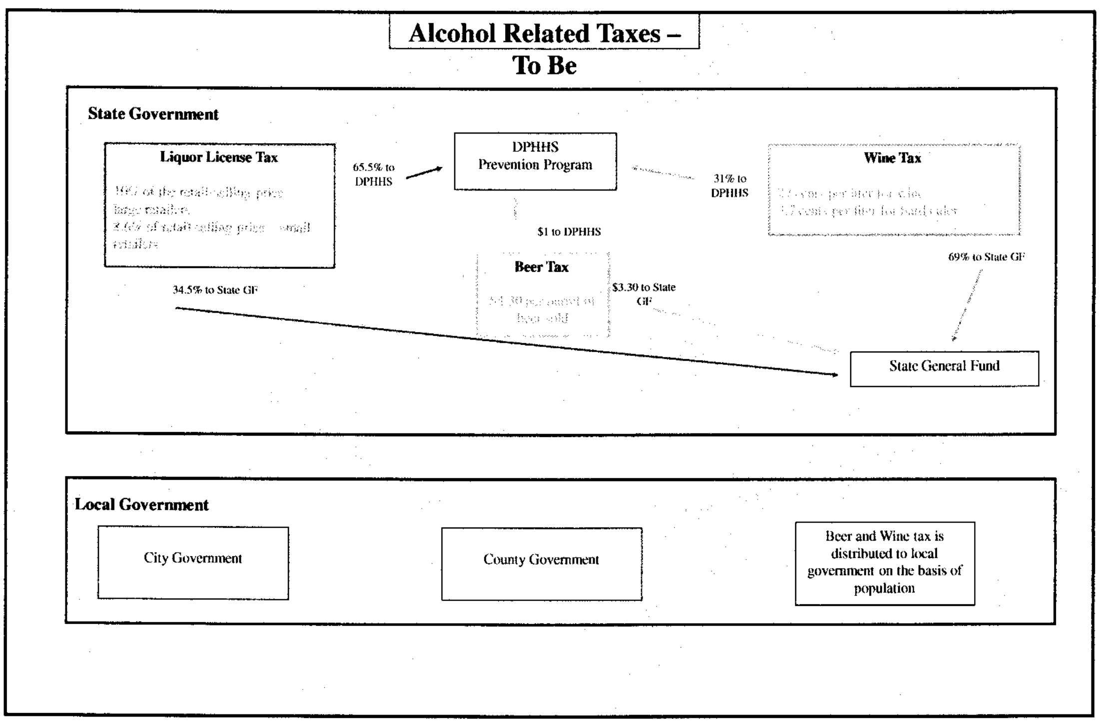
and

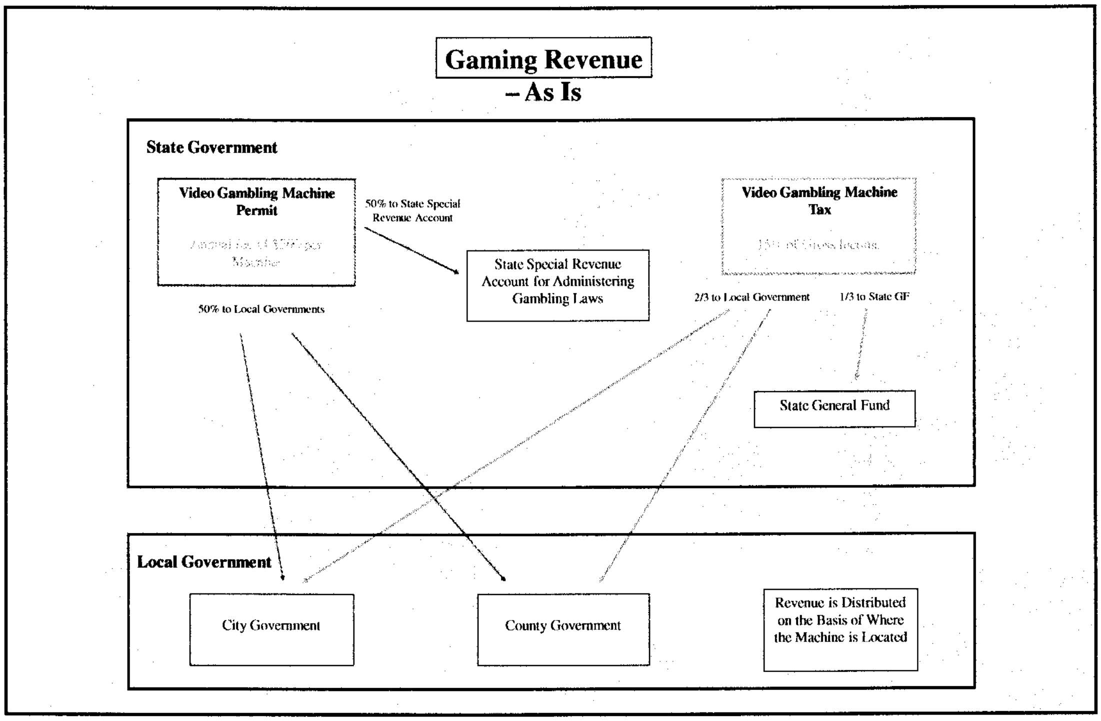
AFTER

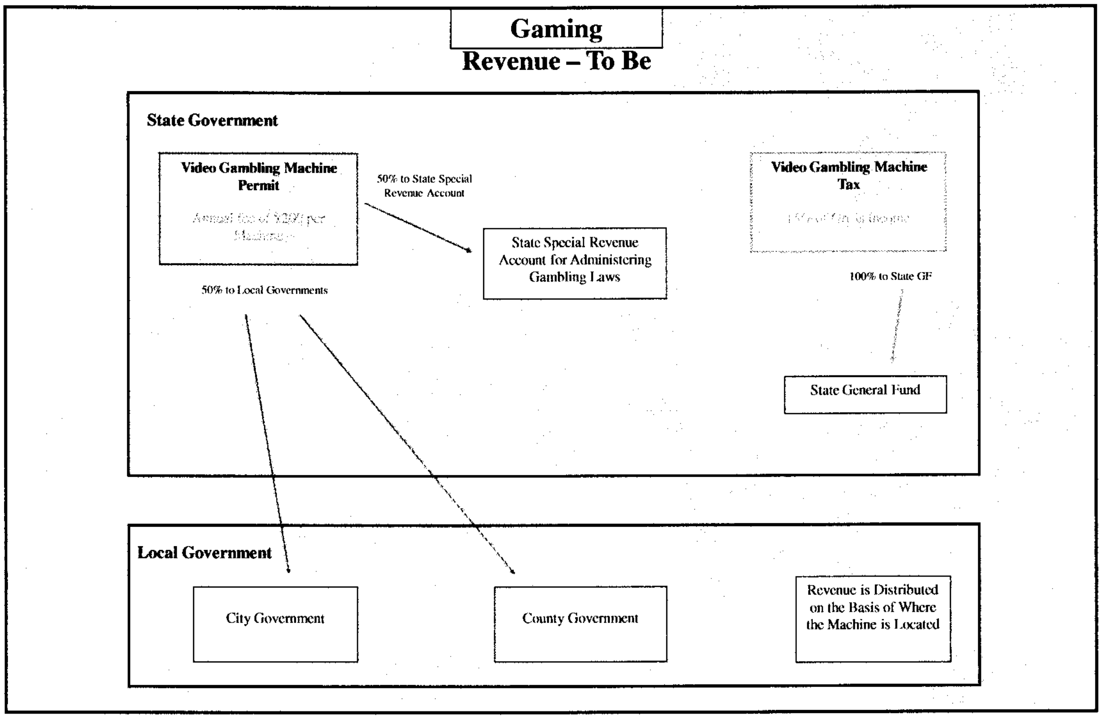

District Court
$35 + 32% Remainder
Commencement of Action Filing Intervention Complaint
68% Remainder
Remainder
Contested Parenting Plan
$20 $9
$25 + 32% Remainder
Defendant/Respondent
68% Remainder
$6.40
Marriage License
$23.60
Substitution of Judge
100%
State Special Adoptive Service $0.065 M
State General Fund $1.1 M
State Special Assault $0.175 M
State Special - Child Abuse $0.023 M
$70
Adoption
$5
$20 + 68% Remainder
Guardian, Probate Personal Representative
$15 + 32% Remainder
$20 + 68% Remainder
Entry of Judgment
$15 + 32% Remainder
68%
Transmission of records filing transfer papers
32%
$20 +$75 $30 $9 $5
Dissolution of Marriage
$20
District Court

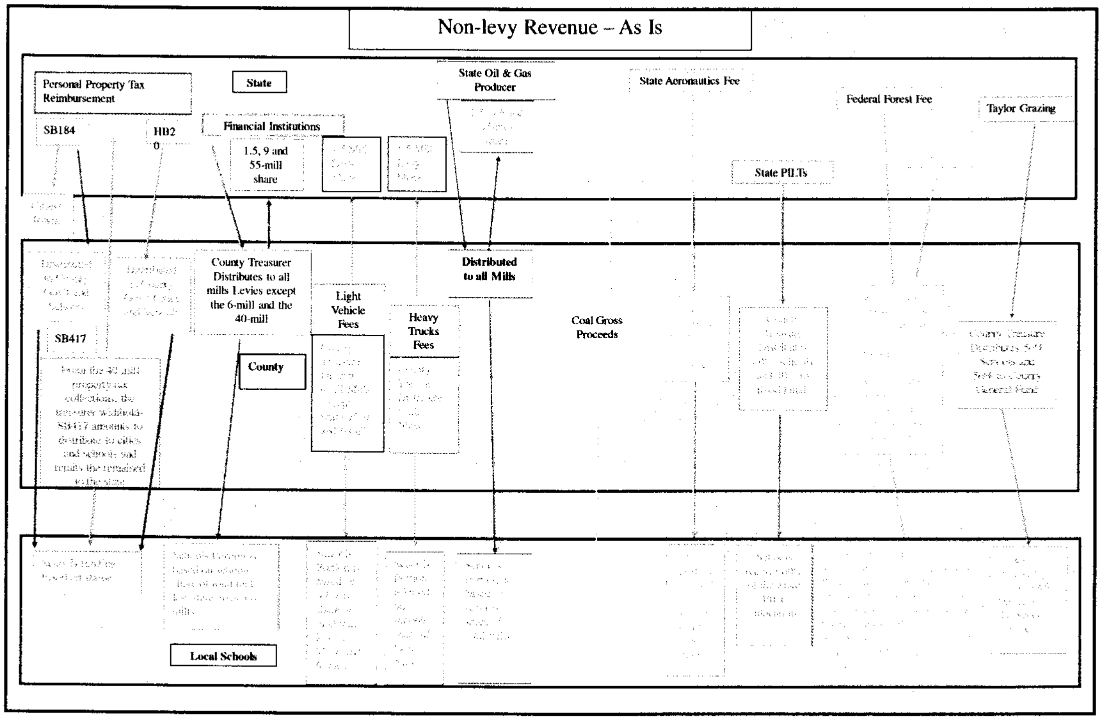

District Court Fees – To Be
District Court
State General Fund


Alcohol Related Taxes – As Is
State Government
Liquor License Tax
65.5% to DPHHS
DPHHS
Prevention Program
31% to DPHHS
Wine Tax
$1 to DPHHS
5% to Cities
5% to Counties
59% to State GF
30% to Cities
4.5% to Counties
Beer Tax
50 cents to State GF
State General Fund
$2.80 to City and County Governments
Local Government
City Government
County Government
Beer and Wine tax is distributed to local government on the basis of population

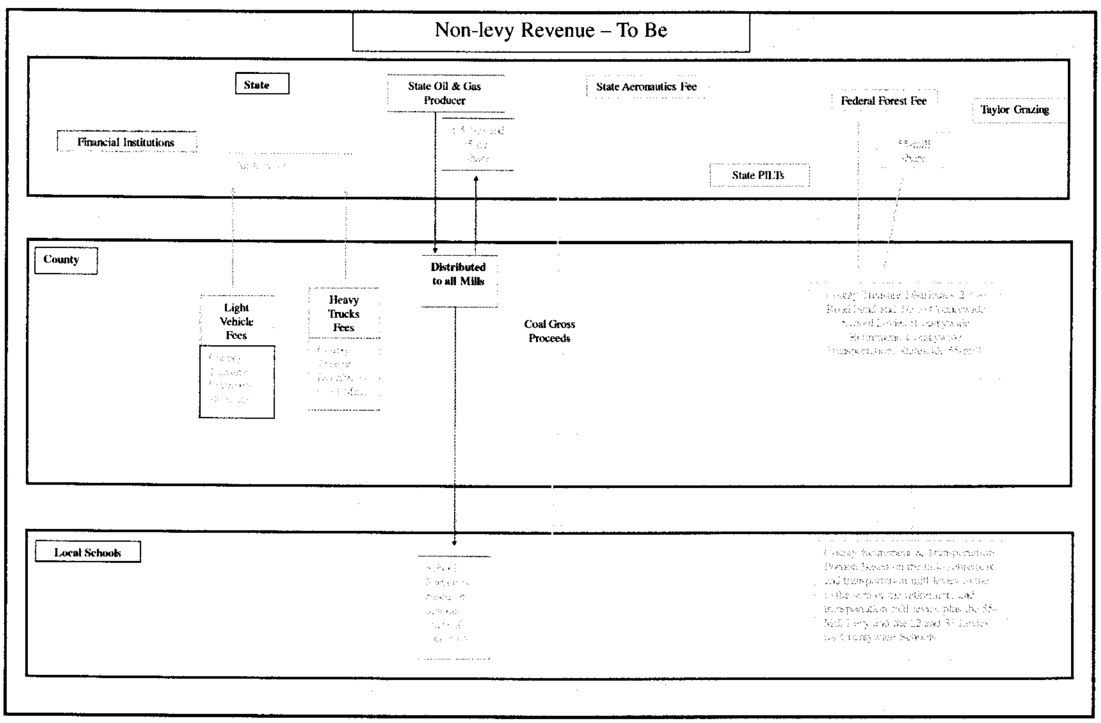

Alcohol Related Taxes – To Be
State Government
Liquor License Tax
65.5% to DPHHS
DPHHS
Prevention Program
31% to DPHHS
Wine Tax
$1 to DPHHS
69% to State GF
Beer Tax
34.5% to State GF
$3.30 to State GF
State General Fund
Local Government
City Government
County Government
Beer and Wine tax is distributed to local government on the basis of population


Gaming Revenue
– As Is
State Government
Video Gambling Machine Permit
50% to State Special Revenue Account
State Special Revenue Account for Administering Gambling Laws
Video Gambling Machine Tax
50% to Local Governments
2/3 to Local Government
1/3 to State GF
State General Fund
Local Government
City Government
County Government
Revenue is Distributed on the Basis of Where the Machine is Located

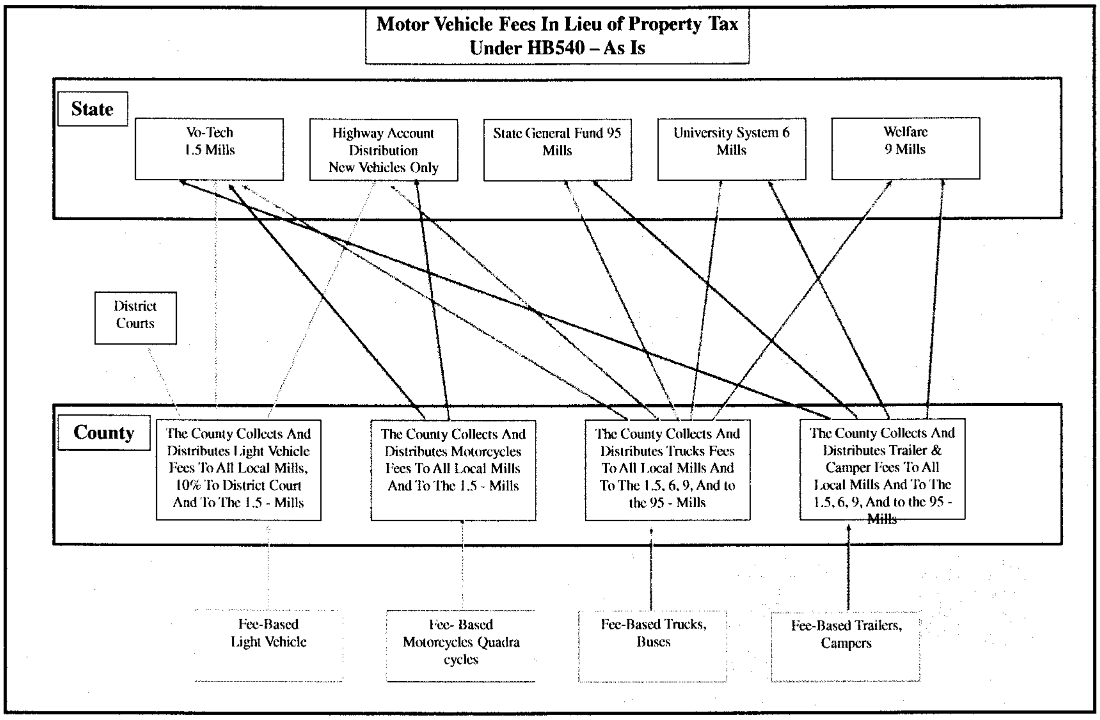

Gaming
Revenue – To Be
State Government
Video Gambling Machine Permit
50% to State Special Revenue Account
State Special Revenue Account for Administering Gambling Laws
Video Gambling Machine Tax
50% to Local Governments
100% to State GF
State General Fund
Local Government
City Government
County Government
Revenue is Distributed on the Basis of Where the Machine is Located



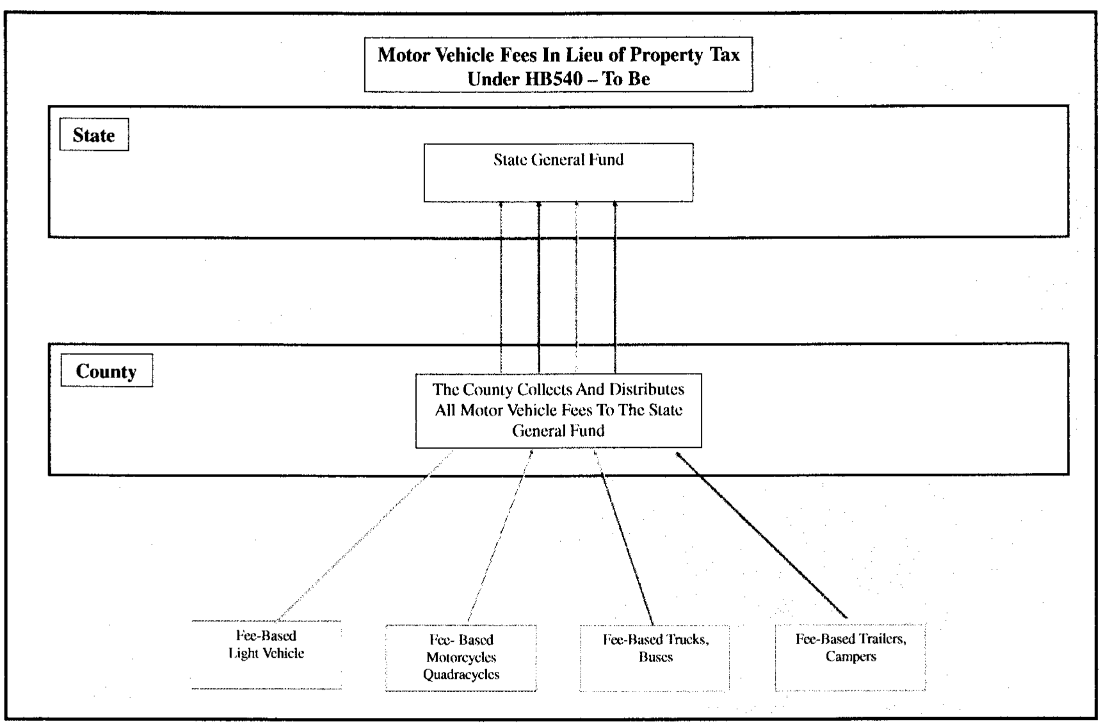
Non-levy Revenue – As Is
Personal Property Tax Reimbursement
State
State Oil & Gas Producer
State Aeronautics Fee
Federal Forest Fee
Taylor Grazing
Financial Institutions
SB184
HD2
1.5, 9 and 55-mill share
State PILTs
County Treasurer Distributes to all mills Levies except the 6-mill and the 40-mill
Light Vehicle Fees
Heavy Trucks Fees
Distributed to all Mills
Coal Gross Proceeds
SB417
County
From the 40 mill property tax collections, the treasurer withholds SB417 amounts to distribute to cities and schools and remits the remained to the state
Local Schools



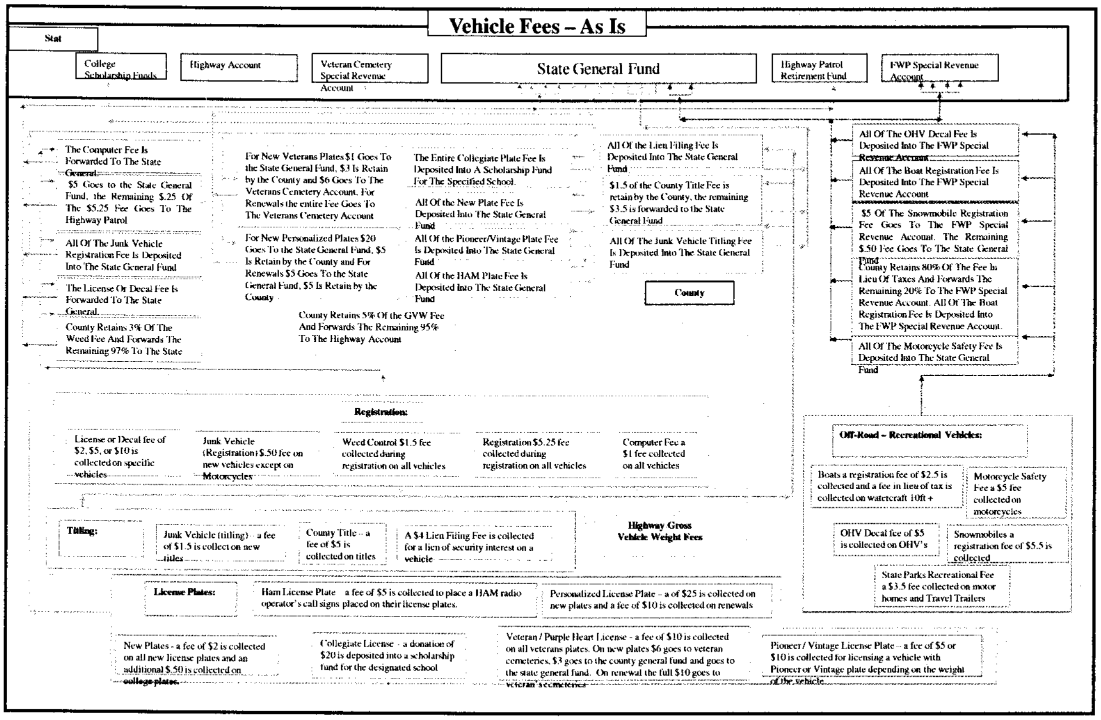
Non-levy Revenue – To Be
State
State Oil & Gas Producer
State Aeronautics Fee
Federal Forest Fee
Taylor Grazing
Financial Institutions
State PILTs
County
Light Vehicle Fees
Heavy Trucks Fees
Distributed to all Mills
Coal Gross Proceeds
Local Schools

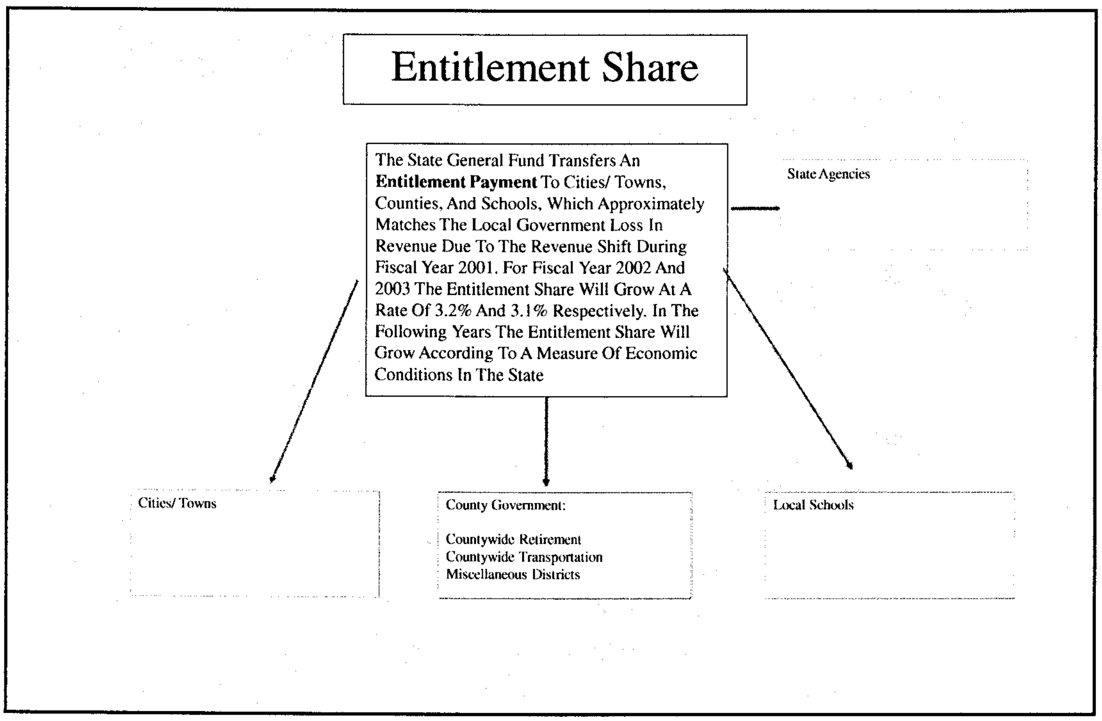


Motor Vehicle Fees In Lieu of Property Tax Under HB540 – As Is
State
Vo-Tech 1.5 Mills
Highway Account Distribution New Vehicles Only
State General Fund 95 Mills
University System 6 Mills
Welfare 9 Mills
District Courts
County
The County Collects And Distributes Light Vehicle Fees To All Local Mills, 10% To District Court And To The 1.5 - Mills
The County Collects And Distributes Motorcycles Fees To All Local Mills And To The 1.5 - Mills
The County Collects And Distributes Trucks Fees To All Local Mills And To The 1.5, 6, 9, And to the 95 - Mills
The County Collects And Distributes Trailer & Camper Fees To All Local Mills And To The 1.5, 6, 9, And to the 95 - Mills
Fee-Based Light Vehicle
Fee- Based Motorcycles Quadra cycles
Fee-Based Trucks, Buses
Fee-Based Trailers, Campers



Motor Vehicle Fees In Lieu of Property Tax Under HB540 – To Be
State
State General Fund
County
The County Collects And Distributes All Motor Vehicle Fees To The State General Fund
Fee-Based Light Vehicle
Fee- Based Motorcycles Quadracycles
Fee-Based Trucks, Buses
Fee-Based Trailers, Campers


Vehicle Fees – As Is
Stat
College Scholarship Funds
Highway Account
Veteran Cemetery Special Revenue Account
State General Fund
Highway Patrol Retirement Fund
FWP Special Revenue Account
The Computer Fee Is Forwarded To The State General.
$5 Goes to the State General Fund, the Remaining $.25 Of The $5.25 Fee Goes To The Highway Patrol
All Of The Junk Vehicle Registration Fee Is Deposited Into The State General Fund
The License Or Decal Fee Is Forwarded To The State General.
County Retains 3% Of The Weed Fee And Forwards The Remaining 97% To The State
For New Veterans Plates $1 Goes To the State General Fund, $3 Is Retain by the County and $6 Goes To The Veterans Cemetery Account. For Renewals the entire Fee Goes To The Veterans Cemetery Account
For New Personalized Plates $20 Goes To the State General Fund, $5 Is Retain by the County and For Renewals $5 Goes To the State General Fund, $5 Is Retain by the County
The Entire Collegiate Plate Fee Is Deposited Into A Scholarship Fund For The Specified School.
All Of the New Plate Fee Is Deposited Into The State General Fund
All Of the Pioneer/Vintage Plate Fee Is Deposited Into The State General Fund
All Of the HAM Plate Fee Is Deposited Into The State General Fund
County Retains 5% Of the GVW Fee And Forwards The Remaining 95% To The Highway Account
All Of the Lien Filing Fee Is Deposited Into The State General Fund
$1.5 of the County Title Fee is retain by the County, the remaining $3.5 is forwarded to the State General Fund
All Of The Junk Vehicle Titling Fee Is Deposited Into The State General Fund
County
All Of The OHV Decal Fee Is Deposited Into The FWP Special Revenue Account
All Of The Boat Registration Fee Is Deposited Into The FWP Special Revenue Account
$5 Of The Snowmobile Registration Fee Goes To The FWP Special Revenue Account. The Remaining $.50 Fee Goes To The State General Fund
County Retains 80% Of The Fee In Lieu Of Taxes And Forwards The Remaining 20% To The FWP Special Revenue Account. All Of The Boat Registration Fee Is Deposited Into The FWP Special Revenue Account.
All Of The Motorcycle Safety Fee Is Deposited Into The State General Fund
Registration:
License or Decal fee of $2, $5, or $10 is collected on specific vehicles
Junk Vehicle (Registration) $.50 fee on new vehicles except on Motorcycles
Weed Control $1.5 fee collected during registration on all vehicles
Registration $5.25 fee collected during registration on all vehicles
Computer Fee a $1 fee collected on all vehicles
Titling:
Junk Vehicle (titling) - a fee of $1.5 is collect on new titles
County Title - a fee of $5 is collected on titles
A $4 Lien Filing Fee is collected for a lien of security interest on a vehicle
Highway Gross Vehicle Weight Fees
License Plates:
Ham License Plate a fee of $5 is collected to place a HAM radio operator's call signs placed on their license plates.
Personalized License Plate - a of $25 is collected on new plates and a fee of $10 is collected on renewals
New Plates - a fee of $2 is collected on all new license plates and an additional $.50 is collected on college plates.
Collegiate License - a donation of $20 is deposited into a scholarship fund for the designated school
Veteran / Purple Heart License - a fee of $10 is collected on all veterans plates. On new plates $6 goes to veteran cemeteries, $3 goes to the county general fund and goes to the state general fund. On renewal the full $10 goes to veteran's cemeteries
Pioneer / Vintage License Plate - a fee of $5 or $10 is collected for licensing a vehicle with Pioneer or Vintage plate depending on the weight of the vehicle
Off-Road - Recreational Vehicles:
Boats a registration fee of $2.5 is collected and a fee in lieu of tax is collected on watercraft 10ft +
Motorcycle Safety Fee a $5 fee collected on motorcycles
OHV Decal fee of $5 is collected on OHV's
Snowmobiles a registration fee of $5.5 is collected
State Parks Recreational Fee a $3.5 fee collected on motor homes and Travel Trailers


Entitlement Share
The State General Fund Transfers An Entitlement Payment To Cities/ Towns, Counties, And Schools, Which Approximately Matches The Local Government Loss In Revenue Due To The Revenue Shift During Fiscal Year 2001. For Fiscal Year 2002 And 2003 The Entitlement Share Will Grow At A Rate Of 3.2% And 3.1% Respectively. In The Following Years The Entitlement Share Will Grow According To A Measure Of Economic Conditions In The State
State Agencies
Cities/ Towns
County Government:
Countywide Retirement
Countywide Transportation
Miscellaneous Districts
Local Schools

(This spreadsheet updated July 25, 2001)

This spreadsheet will contain the revenue matrix and instructions necessary for calculating the entitlement share.

The spreadsheet contains four tabs:	Last Update
Tab 1: Introduction (this page).	July 25, 2001
Tab 2: The Revenue Matrix	July 16, 2001
Tab 3: Instructions.	July 25, 2001
Tab 4: HB540 Annualzation Factors	July 24, 2001
Tab 5: Frequently Asked Questions (FAQ)	July 25, 2001

The Revenue Matrix is presented at this time to allow local governments the opportunity to explore the impact of HB124. It is likely that the matrix will change between now now and the time the caclulation of the entitlement share is made. Changes will be made as people begin to work with the matrix and offer suggestions that will improve on this important process.

(more)

↓

I will continue to work on the matrix and instructions. I welcome your thoughts and suggestions.

Brad Simshaw bsimshaw@state.mt.us
Montana Department of Revenue

Instructions

HB124 changed the distribution of several local government revenue sources. In addition, HB124 transfers the cost of welfare and district courts to the state. The revenue distribution changes and the state assumption of welfare are effective for fiscal year 2002. The state assumption of district courts will be effective in fiscal year 2003 and does not include the assumption of the clerk of district courts. Entitlement share payments will be made to local governments (four quarterly payments) in each fiscal year beginning in fiscal year 2002. A growth rate will be applied annually to the entitlement share payments.

Concept: HB124 was not designed as a revenue gainer or loser for local governments or state government. The result of the revenue loss (change in revenue distribution), expenditure savings (state assumption of welfare and district courts), and the entitlement share payments should leave local governments and state government harmless. That is why it is important to be as accurate as possible in filling out the revenue matrix.

(more)

Goal: The goal of this revenue matrix is to accurately measure the amount of revenue that will no longer flow directly to local government. The loss of the revenue sources will be replaced by the entitlement share payments.

The Matrix: The revenue matrix is a row and column table.

<u>Columns</u> *(Revenue Sources)*

The columns represent revenue sources for local government under old law. Local governments received revenue from these sources in fiscal year 2001. Not all local governments received revenue from all the sources. Local governments are defined as county governments (including miscellaneous districts such as fire districts) and city/town governments. The revenue matrix does not apply to schools. For counties only county government (including miscellaneous districts) revenues are to be listed. For city/towns only city/town revenues are to be listed.

Listed with each revenue source is the MCA cite and the BARS revenue account number. The revenues are split into two groups. The first group, columns 1-A through 1-Q, are state shared revenues. Each has a BARS account beginning with 335. The second group, columns 2-A trhough 2R, are vehicle revenues that are collected by the county treasruer and sent to local governments. Included in each group are some columns intentionally left empty. If we find that it is necessary to add a column we will have a spot for it. For example, in working on an earlier version of the revenue matrix with Norm Klein it was decided to split one of the columns into three columns. Having the space already available (if necessary) for a new column heading will save the trouble of repositioning and renumbering the existing columns.

(more)

<u>Rows</u> *(Funds)*

The rows represent funds. A list of funds has been included. While the list of funds is tailored for county governments it can be used by city governments also. Not all governments will have all the funds listed. If that is the case, go ahead and leave that row blank. If you have a fund that is not listed, go ahead and write over a fund that you do not have. If you need to list more funds then are listed then go ahead and insert rows into the matirx. Inserting rows before the last item (the third "other" towards the bottom of the list of funds) will ensure that the values in the inserted rows will be included in the sum functions in the total row.

County governments please note the listing of a fund for fire districts in rows 34 and 35. Miscellaneous districts (fire, misquito, etc.) may be impacted by the changes in revenue flow in HB124. These impacts are to be measured and will be included in the entitlement share payment to the county.

To calculate the entitlement share payment It is not necessary to know the impact to each fund. In HB124 is language which addresses the allocation of the entitlement share payment to special districts. "The county or consolidated local government is responsible for making an allocation from the county's or consolidated local government's of the entitlement share pool to each special district within the county or consolidated local government in a manner that reasonable reflects each special district's loss of revenue sources listed in subsection (1)" *(Sectioin 1 subsection 4 HB124)*. The purpose of listing the revenue impacts on funds is to assist local government officials in allocating the entitlement share payments to funds and special districts.

(more)

<u>*Cells*</u> *(Impact of the Revenue Changes in Fiscal Year 2001 Dollars)*

The values to be keyed into the cells should be fiscal year 2001 numbers. A value in a cell will reflect the amount of fiscal year money from the revenue source that flowed to the fund. For example, listing $10,000 under the revenue source video gambling apportionment (column 1-F) and in the general fund row would indicate that, in fiscal year 2001, the general fund received $10,000 in revenue from the revenue source video gambling apportionment.

Most cells will be blank. This is because funds do not receive revenue from each revenue source. In many cases the revenue source may have a value in only one cell. For example, revenue from video gambling apportionment may all go into the general fund. But a revenue source like the corporate license tax, being a non-levy revenue source, is a revenue source for many funds.

It is important to understand clearly the revenue source that HB124 is changing. As an example take the revenue source Wine Tax Apportionment (1-C). Before HB124 the distribution of the wine tax was 5% to counties, 5% to cities, 59% to the state general fund, and 31% to the Department of Public Health and Human Services (DPHHS) for the treatment and prevention of alcoholism. HB124 amended the law by taking the 10% that formerly went to counties and cities and routing it to the state general fund. The amendments did not change the 31% that is distributed to DPHHS. As a result of the amendments in HB124 counties and cities will each lose their 5% share of the wine tax. The fiscal year 2001 revenue from the 5% is what should be listed in this column. The column should not list any money that a fund received from the alcohol rehabilitation apprtionment from DPHHS. Even though there is an alcohol rehab fund listed on the matrix it would show a value only if that fund received money from the 5% wine tax apportionment (BARS 335 015). The alcohol rehab fund should not list any amount of revenue received from the DPHHS alcohol rehabilitation appportionment program (BARS 335 005). There is no change to the DPHHS alcohol rehabilitation apportionment program. DPHHS continues to receive 31% of wine tax monies and will continue the program as in past years.

(more)

Another example of this is the weed control fund. This fund should not list any revenue received from the Department of Agriculture from the weed program (BARS 334 025). The weed program is unchanged by HB124 (the Department of Agriculture will still receive revenue for the weed program from vehicle registration). However, the weed control fund may have received revenue in fiscal year 2001 from revenue sources that are changed by HB124. If the weed control fund has a mill levy, then the fund will have received non-levy revenue from the corporate license tax, SB184 reimbursements, and motor vehicle flat fees.

(more)

HB540 Annualization of Light Vehicles:

HB124 requires that the amount of revenue from light vehicle fees be annualized under the HB540 flat fee system. That is, the actual fiscal year 2001 light vehicle revenue collections need to be adjusted to reflect a value that represents what the collections would have been had HB540 been in place for the entire fiscal year. The annualization adjustment factor has been calculated for each county. These can be found in a table in the MV Allocation Factor tab. For example, the factor for Cascade County is 0.908. The factor for McCone County is 0.895.

For Cities and Towns, use the factor for your county. For example, Townsend would use 0.888, the factor for Broadwater County. Dillon would use 0.872, the factor for Beaverhead County.

The factor is to be placed into cell F6 of the revenue matrix. The headings currently there look like this:

Light Vehicle Tax Annualized for HB540
HB540 Annualization Factor 0.500

The value of 0.500 is to be replaced with the the adjustment factor for your county or city/town. Placing the factor in this appropriate position will ensure that the factor is used in the formulas in column 2-C.

There have been several common questions regarding the revenue matrix. To view the questions and answers go to the FAQ tab.

om of Sheet

Motor Vehicle Allocation Factor

This tab contains a description of the HB540 annualization factor. A table containing the county factors is below the description.

Annualization of HB540 Light Vehicle Revenue

Part of the HB124 entitlement share calculation is the revenue from light vehicle fees. The base year for the fees is fiscal year 2001. For the first half of the fiscal year light vehicles were subject to a 1.4% ad valorem tax. For the second half of the fiscal year the ad valorem tax was replaced by the flat fee system under HB540. Because of this the actual revenue from light vehicle fees for fiscal year 2001 will be a combination of revenue generated from the ad valorem tax system and the flat fee system.

HB124 requires that the amount of revenue from light vehicle fees be annualized under the HB540 flat fee system. That is, the actual fiscal year 2001 light vehicle revenue collections need to be adjusted to reflect a value that represents what the collections would have been had HB540 been in place for the entire fiscal year. It is expected that the annualized amount will be less than the actual amounts.

To annualize the light vehicle revenue an adjustment factor will be applied to actual fiscal year 2001 revenues.

An adjustment factor will be calculated for each county. The adjustment factor will be calculated by comparing the revenue generated from the current law system (half ad valorem and half flat fee) to the revenue generated under a full year of HB540. The amounts under both systems will come from simulations on the CY 2000 vehicle database.

The adjustment factor will be the ratio of the full-year HB540 simulated revenue to the half-year SB240/HB540 combination. For example, if the amount under the full year of HB540 is $88,000 and the amount under the combination of ½ year at 1.4% and ½ year at HB540 is $100,000, then the adjustment factor would be 0.88 ($88,000/$100,000). The adjustment factor of 0.88 would be applied to the actual fiscal year 2001 light vehicle collections.

← 1 Full Year at HB540 = $88,000 →

← 1/2 Year at 1.4% = $55,000 → | ← 1/2 Year at HB540 = $45,000 →

HB124 Annualization Factor Simulation-
HB540 Light Vehicle Fee Annualized
Using Calendar Year 2000 Database

COUNTY	----------------Revenue From Light Vehicle Tax\Flat Fee-------------- SB 260 Half Year 1.4% Rate-Old Law	HB540 Half Year Flat Fee-Current Law	HB540 Full Year Flat Fee-Current Law	Factor
01 Silver Bow	$ 1,110,786	$ 973,936	$ 1,906,262	0.914
02 Cascade	2,324,223	2,067,907	3,987,347	0.908
03 Yellowstone	4,737,741	3,939,097	7,734,060	0.891
04 Missoula	3,283,289	2,725,143	5,385,255	0.896
05 Lewis and Clark	2,013,772	1,662,744	3,320,029	0.903
06 Gallatin	2,718,398	1,966,880	4,016,657	0.857
07 Flathead	2,975,824	2,218,739	4,498,488	0.866
08 Fergus	410,377	380,003	689,481	0.872
09 Powder River	88,275	77,802	141,237	0.850
10 Carbon	443,926	312,757	637,775	0.843
11 Phillips	145,174	161,336	273,883	0.894
12 Hill	481,115	484,188	869,286	0.901
13 Ravalli	1,327,353	995,203	2,012,205	0.866
14 Custer	361,306	347,918	636,620	0.898
15 Lake	813,190	639,022	1,277,767	0.880
16 Dawson	323,686	314,043	572,921	0.898
17 Roosevelt	214,182	191,914	363,431	0.895
18 Beaverhead	316,296	299,480	536,664	0.872
19 Chouteau	172,578	220,997	352,932	0.897
20 Valley	276,234	255,625	474,840	0.893
21 Toole	183,993	178,517	324,483	0.895
22 Big Horn	228,839	228,912	412,768	0.902
23 Musselshell	167,553	132,035	261,089	0.871
24 Blaine	161,852	158,729	282,992	0.883
25 Madison	360,889	286,839	544,510	0.841
26 Pondera	172,582	187,086	326,767	0.909
27 Richland	362,935	359,680	638,293	0.883
28 Powell	196,211	178,641	338,989	0.904
29 Rosebud	271,701	272,181	491,387	0.903
30 Deer Lodge	321,351	262,548	532,293	0.912
31 Teton	214,717	233,406	400,739	0.894
32 Stillwater	356,189	313,638	587,929	0.878
33 Treasure	26,646	38,654	60,401	0.925
34 Sheridan	177,861	160,159	296,043	0.876
35 Sanders	334,731	263,161	517,858	0.866
36 Judith Basin	84,573	94,357	156,164	0.873
37 Daniels	79,961	89,489	151,280	0.893
38 Glacier	189,789	217,792	371,963	0.913
39 Fallon	115,510	135,281	224,648	0.896
40 Sweet Grass	175,403	143,634	268,717	0.842
41 McCone	74,919	94,064	151,199	0.895
42 Carter	49,075	50,179	85,543	0.862
43 Broadwater	154,654	148,182	268,793	0.888
44 Wheatland	60,280	71,028	117,461	0.895
45 Prairie	40,769	47,989	79,620	0.897
46 Granite	137,199	102,429	207,139	0.864
47 Meagher	73,265	63,424	117,076	0.857
48 Liberty	74,445	90,796	145,693	0.882
49 Park	634,282	483,756	964,078	0.862
50 Garfield	40,680	56,437	86,201	0.888
51 Jefferson	417,258	334,031	655,205	0.872
52 Wibaux	42,946	35,549	69,729	0.888
53 Golden Valley	32,946	34,834	60,300	0.890
54 Mineral	121,603	101,049	201,892	0.907
55 Petroleum	24,946	24,560	42,221	0.853
56 Lincoln	603,796	473,255	953,461	0.885
Statewide Totals:	**$ 31,304,076**	**$ 26,381,035**	**$ 51,082,064**	**0.886**

Note: SB260 Revenue in this simulation does not include revenue from the state assumption of welfare 9-mills in the assumed counties.

Note: HB540 Revenue in this simulation does not include revenue from "new vehicles".

Frequently Asked Questions:

1 Is the video gambling machine permit fee ($200) included in the revenue matrix?

No. HB124 changed only the revenue distribution of the 15% of the gross income tax. HB124 did not change the $200 permit fee.

2 Given the mix-up in the corporate license tax payments, what figure should I report?

Report what you would have received in fiscal year 2001 from corportate license tax had the payments been made correctly and timely. For example, suppose you were originally underpaid and a correction payment was made to you this July. We want to count as fiscal year 2001 revenue the original payment and plus the correction payment. If you were overpaid, we want to report the corrected amount, not the overpayment amount.

3 What if I received a payment in fiscal year 2000 that was a correction to a fiscal year 2000 payment?

(more)

The correction payment should not be counted as fiscal year 2001 revenue.

4 What about the local option vehicle tax?

HB124 did not change the local option vehicle tax. This will still be local revenue and should not be included anywhere in the revenue matrix.

5 Are property taxes on the matirx anywhere?

No. HB124 did not alter the distribution of property tax. There should not be any property tax revenue in the matrix.

County

Stillwater

City/Town

3:08

HB124 Revenue Matrix - FY01 Revenues
Pursuant to the DOR Understanding of HB124
Fees Remitted for Inclusion in the Entitlement Share

Light Vehicle Tax Annualized for HB540
HB540 Annualization Factor 0.878

This Form Filled out by:
Name: Harold Blattie
Phone: 406 322 8010

Version : July 16

		1-A	1-B	1-C	1-D	1-E	1-F	1-G	1-H
	Revenue →	Liquor tax Apportionment	Wine Tax Apportionment	Beer Tax Apportionment	Coal Tax Apportionment	Custom Combine Fee	Video Gambling Apportionment (15% of Income)	Corporate License Tax	SB 184 Reimbursements
	MCA Reference →	16-1-404	16-1-411	16-1-406	90-1-108	61-10-130	23-5-610	15-31-702	
	BARS Accts →	335 010	335 015	335 020	335 060	335 033	335 075	335 055	335 220
1									
2	1000-General Fund							3,103.00	75,708.00
3	2110-Road							2,470.00	67,037.00
4	2120-Poor/Welfare							415.00	10,602.00
5	2130-Bridge							1,288.00	31,500.00
6	2135-Co. Fire							60.00	2,848.00
7	2140-Weed Control							260.00	6,124.00
8	2180-Dist. Court							671.00	15,693.00
9	2190-Co. Insurance							241.00	5,741.00
10	2220-Library							384.00	9,569.00
11	2250-Coal Planning				3,325.00				
12	2290-Extension							306.00	7,578.00
13	2320-Mental Health							43.00	1,072.00
14	2382-Search & Rescue							36.00	
15	2389-Public Safety	1,690.00	907.00				82,537.00	1,992.00	50,140.00
16	2895-MMLT Trust								727.00
17	2896-MMLT-Reserve								1,090.00
18	7204-PC Fire								2,334.00
19	7205-Abs. Fire							681.00	12,121.00
20	7206-BV Fire								32.00
21	7207-PC Cemetery								327.00
22	7208-Rosebud Cemetery							93.00	1,812.00
23	7209-Rapelje Cemetery								193.00
24	7210-Col. Rural Fire								11,080.00
25	7931-Soil Conservation								1,215.00
26									
27									
28									
29									
30									
38									
	TOTAL	1,690.00	907.00	0.00	3,325.00	0.00	82,537.00	12,043.00	314,543.00

County

Stillwater

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	Revenue → / MCA Reference → / BARS Accts →	1-I DNRC PILT (40% County Road Fund) 77-1-506(2) 335 090	1-L Aircraft Registration 67-3-205(2a) 335 035	1-M Proportionally Registered 61-3-738 335 030	1-O Fleet Vehicle Registration Fees 61-3-324/325 335 032	2-A FY2001 Actual Lt Vehicle Tax HB 540 61-3-504 314 110	2-B Annuali-zation Factor	2-C *HB540* ***Annualized*** Lt Vehicle Tax HB 540	2-D Motor Vehicle Fees in Lieu of Taxes (Various) 321 070
1									
2	1000-General Fund		968.00			53,069.00	0.878	46,594.58	64,964.00
3	2110-Road		968.00			48,304.00	0.878	42,410.91	20,049.00
4	2120-Poor/Welfare					6,780.00	0.878	5,952.84	593.00
5	2130-Bridge					21,968.00	0.878	19,287.90	2,045.00
6	2135-Co. Fire					1,341.00	0.878	1,177.40	150.00
7	2140-Weed Control					4,593.00	0.878	4,032.65	448.00
8	2180-Dist. Court					11,908.00	0.878	10,455.22	1,170.00
9	2190-Co. Insurance					4,192.00	0.878	3,680.58	402.00
10	2220-Library					6,424.00	0.878	5,640.27	582.00
11	2250-Coal Planning						0.878	0.00	
12	2290-Extension					5,148.00	0.878	4,519.94	470.00
13	2320-Mental Health					707.00	0.878	620.75	63.00
14	2382-Search & Rescue						0.878	0.00	
15	2389-Public Safety		968.00			33,013.00	0.878	28,985.41	2,950.00
16	2895-MMLT Trust						0.878	0.00	
17	2896-MMLT-Reserve						0.878	0.00	
18	7204-PC Fire					5,956.00	0.878	5,229.37	6,373.00
19	7205-Abs. Fire					6,362.00	0.878	5,585.84	6,810.00
20	7206-BV Fire					33.00	0.878	28.97	34.00
21	7207-PC Cemetery					813.00	0.878	713.81	826.00
22	7208-Rosebud Cemetery					887.00	0.878	778.79	949.00
23	7209-Rapelje Cemetery					112.00	0.878	98.34	108.00
24	7210-Col. Rural Fire					7,111.00	0.878	6,243.46	8,000.00
25	7931-Soil Conservation						0.878	0.00	
26							0.878	0.00	
27							0.878	0.00	
28							0.878	0.00	
29							0.878	0.00	
30							0.878	0.00	
38							0.878	0.00	
	TOTAL	0.00	2,904.00	0.00	0.00	218,721.00		192,037.04	116,986.00

County

Stillwater

City/Town

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Version : July 16

#	Revenue → / MCA Reference → / BARS Accts →	2-E MV Plate Fees 61-3-321 / 7-14-2512 321 010	2-F Veterans, Purple Heart Fee 61-3-332 321 010	2-G Co Personalized Plate Fee 61-3-406 321 010	2-H Original Title Transer Title 61-3-203 321 030	2-I Single Movement Permits 61-4-311 321 040	2-J Special Mobile $5 Fee 61-3-431 321 040	2-K Motor Vehicle 5% GVW Fee 61-10-225 341 060	2-L Registration Late Fee 61-3-201 341 060
1									
2	1000-General Fund								
3	2110-Road	101,951.00				350.00			
4	2120-Poor/Welfare								
5	2130-Bridge								
6	2135-Co. Fire								
7	2140-Weed Control								
8	2180-Dist. Court								
9	2190-Co. Insurance								
10	2220-Library								
11	2250-Coal Planning								
12	2290-Extension								
13	2320-Mental Health								
14	2382-Search & Rescue								
15	2389-Public Safety								
16	2895-MMLT Trust								
17	2896-MMLT-Reserve								
18	7204-PC Fire								
19	7205-Abs. Fire								
20	7206-BV Fire								
21	7207-PC Cemetery								
22	7208-Rosebud Cemetery								
23	7209-Rapelje Cemetery								
24	7210-Col. Rural Fire								
25	7931-Soil Conservation								
26									
27									
28									
29									
30									
38									
	TOTAL	101,951.00	0.00	0.00	0.00	350.00	0.00	0.00	0.00

County

Stillwater

City/Town

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Version : July 16

		2-M	2-N	2-O	2-P	2-Q	2-R	3-A
	Revenue →	Off Highway $1.50 County Fee	Camper Decal $1.00 Fee	Co. Manufactured Home $1.50	*(This Column Intentionally Left Empty)*	*(This Column Intentionally Left Empty)*	*(This Column Intentionally Left Empty)*	Total of All Revenue W/ HB540 Annualized
	MCA Reference →	23-2-811	61-3-524(2)	15-1-116				
	BARS Accts →	341 060	341 060	341 060				
1								
2	1000-General Fund							191,337.58
3	2110-Road							235,235.91
4	2120-Poor/Welfare							17,562.84
5	2130-Bridge							54,120.90
6	2135-Co. Fire							4,235.40
7	2140-Weed Control							10,864.65
8	2180-Dist. Court							27,989.22
9	2190-Co. Insurance							10,064.58
10	2220-Library							16,175.27
11	2250-Coal Planning							3,325.00
12	2290-Extension							12,873.94
13	2320-Mental Health							1,798.75
14	2382-Search & Rescue							36.00
15	2389-Public Safety							170,169.41
16	2895-MMLT Trust							727.00
17	2896-MMLT-Reserve							1,090.00
18	7204-PC Fire							13,936.37
19	7205-Abs. Fire							25,197.84
20	7206-BV Fire							94.97
21	7207-PC Cemetery							1,866.81
22	7208-Rosebud Cemetery							3,632.79
23	7209-Rapelje Cemetery							399.34
24	7210-Col. Rural Fire							25,323.46
25	7931-Soil Conservation							1,215.00
26								0.00
27								0.00
28								0.00
29								0.00
30								0.00
38								0.00
	TOTAL	0.00	0.00	0.00	0.00	0.00	0.00	829,273.04

ENTITLEMENT SHARE

15-1-121. Entitlement share payment -- appropriation. (1) The amount calculated pursuant to this subsection, as adjusted pursuant to subsection (3)(a)(i), is each local government's base entitlement share. The department shall estimate the total amount of revenue that each local government received from the following sources for the fiscal year ending June 30, 2001:

(a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999;

(b) vehicle, boat, and aircraft taxes and fees pursuant to:

(i) Title 23, chapter 2, part 5;

(ii) Title 23, chapter 2, part 6;

(iii) Title 23, chapter 2, part 8;

(iv) 61-3-317;

(v) 61-3-321;

(vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment of 61-3-509 in 2001;

(vii) Title 61, chapter 3, part 7;

(viii) 5% of the fees collected under 61-10-122;

(ix) 61-10-130;

(x) 61-10-148; and

(xi) 67-3-205;

(c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);

(d) district court fees pursuant to:

(i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);

(ii) 25-1-202;

(iii) 25-9-506; and

(iv) 27-9-103;

(e) certificate of title fees for manufactured homes pursuant to 15-1-116;

(f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;

(g) all beer, liquor, and wine taxes pursuant to:

(i) 16-1-404;

(ii) 16-1-406; and

(iii) 16-1-411;

(h) late filing fees pursuant to 61-3-220;

(i) title and registration fees pursuant to 61-3-203;

(j) veterans' cemetery license plate fees pursuant to 61-3-459;

(k) county personalized license plate fees pursuant to 61-3-406;

(l) special mobile equipment fees pursuant to 61-3-431;

(m) single movement permit fees pursuant to 61-4-310;

(n) state aeronautics fees pursuant to 67-3-101; and

(o) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77, chapter 1, part 5.

(2) (a) From the amounts estimated in subsection (1) for each county government, the department shall deduct fiscal year 2001 county government expenditures for district courts, less reimbursements for district court expenses, and fiscal year 2001 county government expenditures for public welfare programs to be assumed by the state in fiscal year 2002.

(b) The amount estimated pursuant to subsections (1) and (2)(a) is each local government's base year component. The sum of all local governments' base year components is the base year entitlement share pool. For the purpose of calculating the sum of all local governments' base year components, the base year component for a local government may not be less than zero.

(3) (a) The base year entitlement share pool must be increased annually by a growth rate as provided for in this subsection (3). The amount determined through the application of annual growth rates is the entitlement share pool for each fiscal year. By October 1 of each even-numbered year, the department shall calculate the growth rate of the entitlement share pool for each year of the next biennium in the following manner:

(i) Before applying the growth rate for fiscal year 2007 to determine the fiscal year 2007 entitlement share payments, the department shall subtract from the fiscal year 2006 entitlement share payments the following amounts:

NOTE: The specifc dollar amount that each county and municipality's Entitlement Share was reduced as the offset for the State assumption of the responsibility of funding and administering the Public Defender Program is included in the law at this point. I have de;eted that list from this handout to reduce the number of pages to print.

(ii) The department shall calculate the average annual growth rate of the Montana gross state product, as published by the bureau of economic analysis of the United States department of commerce, for the following periods:
(A) the last 4 calendar years for which the information has been published; and
(B) the 4 calendar years beginning with the year before the first year in the period referred to in subsection (3)(a)(ii)(A).
(iii) The department shall calculate the average annual growth rate of Montana personal income, as published by the bureau of economic analysis of the United States department of commerce, for the following periods:
(A) the last 4 calendar years for which the information has been published; and
(B) the 4 calendar years beginning with the year before the first year in the period referred to in subsection (3)(a)(iii)(A).
(b) (i) The entitlement share pool growth rate for the first year of the biennium must be the following percentage of the average of the growth rates calculated in subsections (3)(a)(ii)(B) and (3)(a)(iii)(B):
(A) for counties, 54%;
(B) for consolidated local governments, 62%; and
(C) for incorporated cities and towns, 70%.
(ii) The entitlement share pool growth rate for the second year of the biennium must be the following percentage of the average of the growth rates calculated in subsections (3)(a)(ii)(A) and (3)(a)(iii)(A):
(A) for counties, 54%;
(B) for consolidated local governments, 62%; and
(C) for incorporated cities and towns, 70%.
(4) As used in this section, "local government" means a county, a consolidated local government, an incorporated city, and an incorporated town. A local government does not include a tax increment financing district provided for in subsection (6). For purposes of calculating the base year component for a county or consolidated local government, the department shall include the revenue listed in subsection (1) for all special districts within the county or consolidated local government. The county or consolidated local government is responsible for making an allocation from the county's or consolidated local government's share of the entitlement share pool to each special district within the county or consolidated local government in a manner that reasonably reflects each special district's loss of revenue sources listed in subsection (1).
(5) (a) The entitlement share pools calculated in this section and the block grants provided for in subsection (6) are statutorily appropriated, as provided in 17-7-502, from the general fund to the department for distribution to local governments. Each local government is entitled to a pro rata share of each year's entitlement share pool based on the local government's base component in relation to the base year entitlement share pool. The distributions must be made on a quarterly basis.
(b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal year and the entitlement share pool in the previous fiscal year. For the purposes of subsection (5)(b)(ii)(A), a county with a negative base year component has a base year component of zero. The growth factor in the entitlement share must be calculated separately for:
(A) counties;
(B) consolidated local governments; and
(C) incorporated cities and towns.
(ii) In each fiscal year, the growth amount for counties must be allocated as follows:
(A) 50% of the growth amount must be allocated based upon each county's percentage of the base year entitlement share pool for all counties; and

(B) 50% of the growth amount must be allocated based upon the percentage that each county's population bears to the state population not residing within consolidated local governments as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each consolidated local government's percentage of the base year entitlement share pool for all consolidated local governments; and

(B) 50% of the growth amount must be allocated based upon the percentage that each consolidated local government's population bears to the state's total population residing within consolidated local governments as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each incorporated city's or town's percentage of the base year entitlement share pool for all incorporated cities and towns; and

(B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's population bears to the state's total population residing within incorporated cities and towns as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(v) In each fiscal year, the amount of the entitlement share pool not represented by the growth amount is distributed to each local government in the same manner as the entitlement share pool was distributed in the prior fiscal year.

(6) (a) If a tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the tax increment financing district is not entitled to any block grant. If a tax increment financing district referred to in subsection (6)(b) terminates, then the block grant provided for in subsection (6)(b) terminates.

(b) One-half of the payments provided for in this subsection (6)(b) must be made by November 30 and the other half by May 31 of each year. Subject to subsection (6)(a), the entitlement share for tax increment financing districts is as follows:

Cascade	Great Falls - downtown	$468,966
Deer Lodge	TIF District 1	3,148
Deer Lodge	TIF District 2	3,126
Flathead	Kalispell - District 1	758,359
Flathead	Kalispell - District 2	5,153
Flathead	Kalispell - District 3	41,368
Flathead	Whitefish District	164,660
Gallatin	Bozeman - downtown	34,620
Lewis and Clark	Helena - #2	731,614
Missoula	Missoula - 1-1B & 1-1C	1,100,507
Missoula	Missoula - 4-1C	33,343
Silver Bow	Butte - uptown	283,801
Yellowstone	Billings	436,815

(7) The estimated base year entitlement share pool and any subsequent entitlement share pool for local governments do not include revenue received from countywide transportation block grants.

(8) (a) If revenue that is included in the sources listed in subsections (1)(b) through (1)(o) is significantly reduced, except through legislative action, the department shall deduct the amount of revenue loss from the entitlement share pool beginning in the succeeding fiscal year and the department shall work with local governments to propose legislation to adjust the entitlement share pool to reflect an allocation of the loss of revenue.

(b) For the purposes of subsection (8)(a), a significant reduction is a loss that causes the amount of revenue received in the current year to be less than 95% of the amount of revenue received in the base year.

(9) A three-fifths vote of each house is required to reduce the amount of the entitlement share calculated pursuant to subsections (1) through (3).

(10) When there has been an underpayment of a local government's share of the entitlement share pool, the department shall distribute the difference between the underpayment and the correct amount of the entitlement share. When there has been an overpayment of a local government's entitlement share, the local government shall remit the overpaid amount to the department.

(11) A local government may appeal the department's estimation of the base year component, the entitlement share pool growth rate, or a local government's allocation of the entitlement share pool, according to the uniform dispute review procedure in 15-1-211.

(12) A payment required pursuant to this section may not be offset by a debt owed to a state agency by a local government in accordance with Title 17, chapter 4, part 1.

History: En. Sec. 1, Ch. 574, L. 2001; amd. Sec. 4, Ch. 13, Sp. L. August 2002; amd. Sec. 1, Ch. 236, L. 2003; amd. Sec. 1, Ch. 252, L. 2003; amd. Sec. 4, Ch. 399, L. 2003; amd. Sec. 16, Ch. 477, L. 2003; amd. Sec. 2, Ch. 114, L. 2005; amd. Sec. 14, Ch. 130, L. 2005; amd. Sec. 2, Ch. 163, L. 2005; amd. Secs. 21, 77, Ch. 449, L. 2005; amd. Sec. 12, Ch. 596, L. 2005; amd. Sec. 1, Ch. 210, L. 2007; amd. Sec. 19, Ch. 2, L. 2009.

Authority of Local Government to Levy Additional Mills to Make Up Difference Between Light Vehicle Tax Reimbursement and Amount Assessed for Fiscal Year 2001: In enacting 15-1-121, the Legislature provided for a reimbursement of an average of 88% of the amount lost by counties in light vehicle fee collections compared to the amount that the counties actually received in combined fees and property taxes in fiscal year 2001. The legislative intent was to simplify the collection and disbursement of county revenue while maintaining rough revenue neutrality for the counties. Under 15-10-420, the Legislature also provided an inflation adjustment to the mill levy cap and allowed for an increase in mill levy capacity for a decrease in reimbursements, in effect enabling local governments to maintain for fiscal year 2002 the amount of revenue collected in fiscal year 2001. Thus, a local government was authorized to levy additional mills sufficient to make up the difference between the amount reimbursed by the state for light vehicle fees and taxes under 15-1-121 and the amount of fees and taxes assessed by the local government for fiscal year 2001. 49 A.G. Op. 4 (2001).

FLOATING MILL

15-10-420. Procedure for calculating levy. (1) (a) Subject to the provisions of this section, a governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3 years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax actually assessed in the governmental unit in the prior year based on the current year taxable value, less the current year's value of newly taxable property, plus one-half of the average rate of inflation for the prior 3 years.

(b) A governmental entity that does not impose the maximum number of mills authorized under subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill authority carried forward may be imposed in a subsequent tax year.

(c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

(2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including newly taxable property.

(3) (a) For purposes of this section, newly taxable property includes:

(i) annexation of real property and improvements into a taxing unit;

(ii) construction, expansion, or remodeling of improvements;

(iii) transfer of property into a taxing unit;

(iv) subdivision of real property; and

(v) transfer of property from tax-exempt to taxable status.

(b) Newly taxable property does not include an increase in value that arises because of an increase in the incremental value within a tax increment financing district.

(4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the release of taxable value from the incremental taxable value of a tax increment financing district because of:

(i) a change in the boundary of a tax increment financing district;

(ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

(iii) the termination of a tax increment financing district.

(b) If a tax increment financing district terminates prior to the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment financing district terminates. If a tax increment financing district terminates after the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.

(c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property that was constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current year market value of that property less the previous year market value of that property.

(d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real property that results in the property being taxable as class four property under 15-6-134 or as nonqualified agricultural land as described in 15-6-133(1)(c).

(5) Subject to subsection (8), subsection (1)(a) does not apply to:

(a) school district levies established in Title 20; or

(b) a mill levy imposed for a newly created regional resource authority.

(6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received under 15-6-131 and 15-6-132.

(7) In determining the maximum number of mills in subsection (1)(a), the governmental entity may increase the number of mills to account for a decrease in reimbursements.

(8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes of 15-10-108, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated by the department may not exceed the mill levy limits established in those sections. The mill calculation must be established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the calculation must be rounded up to the nearest tenth of a mill.

(9) (a) The provisions of subsection (1) do not prevent or restrict:

(i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;

(ii) a levy to repay taxes paid under protest as provided in 15-1-402;

(iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;

(iv) a levy for the support of a study commission under 7-3-184;

(v) a levy for the support of a newly established regional resource authority; or

(vi) the portion that is the amount in excess of the base contribution of a governmental entity's property tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703.

(b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes actually assessed in a subsequent year.

(10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating funds by a county or municipality during that time.

(11) The department may adopt rules to implement this section. The rules may include a method for calculating the percentage of change in valuation for purposes of determining the elimination of property, new improvements, or newly taxable property in a governmental unit.

History: En. Sec. 1, Ch. 584, L. 1999; amd. Secs. 6, 16(1), Ch. 11, Sp. L. May 2000; amd. Sec. 1, Ch. 191, L. 2001; amd. Sec. 1, Ch. 220, L. 2001; amd. Sec. 3, Ch. 361, L. 2001; amd. Sec. 3, Ch. 511, L. 2001; amd. Sec. 7, Ch. 571, L. 2001; amd. Sec. 94, Ch. 574, L. 2001; amd. Sec. 1, Ch. 115, L. 2003; amd. Sec. 1, Ch. 476, L. 2003; amd. Sec. 3, Ch. 376, L. 2005; amd. Sec. 3, Ch. 545, L. 2005; amd. Sec. 20, Ch. 521, L. 2007; amd. Sec. 26, Ch. 2, L. 2009; amd. Sec. 3, Ch. 57, L. 2009; amd. Sec. 27, Ch. 351, L. 2009; amd. Sec. 3, Ch. 412, L. 2009; amd. Sec. 9, Ch. 483, L. 2009.

UNFUNDED MANDATES

5-4-210. Estimate of fiscal impact on local government required. (1) A bill that, if enacted, may require a local government unit to perform an activity or provide a service or facility that requires a direct expenditure of additional funds without a specific means to finance the activity, service, or facility in violation of 1-2-112 or 1-2-113 must be accompanied, at the time that the bill is presented for introduction to the chief clerk of the house of representatives or the secretary of the senate, by an estimate of all direct and indirect fiscal impacts on a local government unit. The estimate of fiscal impacts must be prepared by the budget director in cooperation with a local government unit affected by the bill. The budget director has 10 days to prepare the estimate.

(2) The estimate must show in dollar amounts the increase in expenditures that may be required by the bill. Comment or opinion relative to the merits of the bill may not be included in the estimate. However, technical or mechanical defects may be noted. Upon completion of the estimate, the budget director shall submit the estimate to the requestor of the bill.

History: En. Sec. 4, Ch. 416, L. 1995.

1-2-112. Statutes imposing new local government duties. (1) As provided in subsection (3), a law enacted by the legislature that requires a local government unit to perform an activity or provide a service or facility that requires the direct expenditure of additional funds and that is not expected of local governments in the scope of their usual operations must provide a specific means to finance the activity, service, or facility other than a mill levy. Any law that fails to provide a specific means to finance any activity, service, or facility is not effective until specific means of financing are provided by the legislature from state or federal funds.

(2) Subsequent legislation may not be considered to supersede or modify any provision of this section by implication. Subsequent legislation may supersede or modify the provisions of this section if the legislation does so expressly.

(3) The mandates that the legislature is required to fund under subsection (1) are legislatively imposed requirements that are not necessary for the operation of local governments but that provide a valuable service or benefit to Montana citizens, including but not limited to:

(a) entitlement mandates that provide that certain classes of citizens may receive specific benefits;

(b) membership mandates that require local governments to join specific organizations, such as waste districts or a national organization of regulators; and

(c) service level mandates requiring local governments to meet certain minimum standards.

(4) Subsection (1) does not apply to:

(a) mandates that are required of local governments as a matter of constitutional law or federal statute or that are considered necessary for the operation of local governments, including but not limited to:

(i) due process mandates;

(ii) equal treatment mandates;

(iii) local government ethics mandates;

(iv) personnel and employment mandates;

(v) recordkeeping requirements; or

(vi) mandates concerning the organizational structure of local governments;

(b) any law under which the required expenditure of additional local funds is an insubstantial amount that can be readily absorbed into the budget of an existing program. A required expenditure of the equivalent of approximately 1 mill levied on taxable property of the local government unit or $10,000, whichever is less, may be considered an insubstantial amount.

(c) a law necessary to implement the National Voter Registration Act of 1993, Public Law 103-31.

History: En. 43-517, 43-518 by Secs. 1, 2, Ch. 275, L. 1974; R.C.M. 1947, 43-517, 43-518; amd. Sec. 1, Ch. 217, L. 1979; amd. Sec. 1, Ch. 416, L. 1995; amd. Sec. 1, Ch. 246, L. 1997; amd. Sec. 4, Ch. 574, L. 2001.

Compiler's Comments:

2001 Amendment: Chapter 574 in (1) in first sentence substituted "As provided in subsection (3)" for "Except as provided in this section", near middle after "additional funds" inserted "and that is not expected of local governments in the scope of their usual operations", and at end substituted "a mill levy" for "mill levies or the all-purpose mill levy"; deleted former (2) that read: "(2) The legislature may fulfill the requirements of this section by providing for an increase in the existing authorized mill levies, the all-purpose mill levy, special mill levies, or the remission of money by the state to local governments. However, an increase in the existing authorized mill levies, the all-purpose mill levy, or any special mill levy must provide an amount necessary to finance the additional costs, and if financing is provided by remission of funds by the state, the remission must bear a reasonable relationship to the actual cost of performing the activity or providing the service or facility"; inserted (3) enumerating mandates legislature is required to fund; in (4) in introductory clause substituted "Subsection (1)" for "This section"; inserted (4)(a) enumerating areas to which subsection (1) does not apply; in (4)(b) in second sentence substituted "1 mill" for "0.1 mill or less" and after "unit" inserted "or $10,000, whichever is less"; and made minor changes in style. Amendment effective July 1, 2001.

1-2-114. Bill restriction. (1) A bill may not be introduced enacting a new law or amending an existing law to require a local government unit to perform an activity or provide a service or facility that requires a direct expenditure of additional funds without a specific means to finance the activity, service, or facility in violation of 1-2-112 or 1-2-113.

(2) The estimate of fiscal impact provided in accordance with 5-4-210 must be considered in determination of whether a bill is introduced in violation of subsection (1).

1-2-115. Enforcement. (1) A local government unit may use a remedy provided in subsection (2), (3), or (4) to prevent the application of a law enacted in violation of 1-2-112 or 1-2-113.

(2) A local government may, with the consent of a state agency charged with the implementation of the law, arbitrate the application of the law pursuant to the Uniform Arbitration Act.

(3) A local government unit may request a hearing before an administrative agency charged with the administration of the law. A hearing held pursuant to this section is a contested case proceeding pursuant to the Montana Administrative Procedure Act. The decision of the agency may be appealed in accordance with Title 2, chapter 4, part 7.

(4) A local government unit may bring a civil action in the district court of the county in which the local government unit is located to prevent the application of a law enacted in violation of 1-2-112 or 1-2-113. The state of Montana may be named as the respondent or defendant in an action brought pursuant to this section.